

HEALTHCARE HEARING – AUGUST 30, 2007

I am Carolyn Coward. I am an attorney and partner in the Van Winkle Law Firm with offices in Hendersonville and Asheville. We have 104 employees – 38 attorneys and 66 support staff.

The firm has reacted specifically to the rising cost of healthcare in two ways that I will address. First we have reacted by implementing a new healthcare plan. In 2005, we were consistently seeing annual double digit percentage increases in our healthcare cost. By implementing the new plan, our goal was and is to cause the participant to be a better consumer and understand the true cost of healthcare.

Option I: More traditional with a lower deductible and co-pays. We have steadily decreased the benefits of this plan and will phase it out by 2009.

Options II and II: High Deductible plans (HDHP) and Health Savings Accounts (HSA). The firm makes contributions to HSAs for employees participating and reduces or eliminates the payroll premium contribution. The plans pay \$500 per person for wellness visits except for vision and dental. By shifting more risk to the employee, the plans will attract employees who tend to be healthier. The firm's risk is the sustainability of such plans.

Second we also reacted by making an effort to understand why the cost of healthcare is rising and if there are issues particular to our region. We have participated for the past four years on the Buncombe Chamber of Commerce Healthcare Roundtable which consists of employers and providers. The Roundtable has focused on issues related to the rising costs of healthcare for our region and strategies to address the underlying causes.

One factor identified by the Roundtable is the fact that our region has a high percentage of Medicare patients but because of the methodology for determining the rates Medicare will pay, our providers are paid less than providers in Greenville, SC which is less than 1 ½ hours from us. For instance, statistics from the Roundtable indicates that Mission Hospital was paid 87% of its costs for Medicare and Medicaid patients in 2006 resulting in over \$42,000,000 being cost shifted to other payers. This cost differential was not due to inefficient use of resource - the total cost per Medicare enrollee for hospitalization in western North Carolina is at the 24th percentile nationally (50th percentile is the average). Ultimately these costs are shifted to insurers and businesses which results in increased health insurance premiums. The Roundtable has found that employers and employees are increasingly dropping coverage resulting in a growing amount of bad debt and charity care expenses to physicians and hospitals. This cycle impacts us as an employer by causing our cost to rise in order to subsidize the under or un-insured. It is estimated that nearly 22% of Buncombe County residents between the ages of 19-64 do not have health insurance. Over half of the uninsured are employed.

The Asheville Chamber Healthcare Roundtable has been focusing on four strategies to address this issue:

1. Advocate for appropriate payment from Medicare and Medicaid
 - 1.1 Medicare reimbursement is based in part on the wage index of certain established regions throughout the country. Asheville is located in a region that has a lower wage index than Greenville, SC. However, Asheville must compete with Greenville for resources such as nurses and other healthcare providers. As stated above, Greenville has a higher Medicare reimbursement rate than Asheville although the cost to provide services is as much or more in Asheville than it is in Greenville.
2. Promote community-wide initiatives in the areas of prevention and cessation of smoking, increased physical activity and reduction of obesity by promoting community resources.
 - 2.1 The objectives are to conduct a widespread community-based health promotion publicity campaign to inform and reinforce our identity as a Health Community as defined in the Healthy People 2010 Guide published by the CDC that changes our local culture and individual behaviors; and
 - 2.2 Support a single point of entry for information and access to existing resources, making health promotion available to all residents of Buncombe County.
3. Encourage the development of alternative insurance products for small business
 - 3.1 Roundtable is presently reviewing whether employers in the area would be interested in developing a model established in Missouri where laws were amended to allow small and large employers to combine thus creating a large risk pool in order to offer a fully insured health insurance product to all groups at a uniform price.
4. Advocate for Medical Liability reform
 - 4.1 Defensive medicine, over-utilization of technology, continues to cause the healthcare cost to rise.

In closing, as an employer, a member of the Roundtable and a citizen of WNC, I ask for active support from our federal legislators. These issues are hindering economic development and the achievement of improved health status of our community.